Man AHL Diversified (Cayman) Ltd.

Report and Financial Statements

For the year ended 30 June 2017

Man AHL Diversified (Cayman) Ltd.

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Man AHL Diversified (Cayman) Ltd.

Corporate Information

Directors
Ronan Daly
Jennifer Thomson
Timothy Sweeting

Registered Office
Until 28 February 2017:
SS&C Fund Services (Cayman) Ltd.
Boundary Hall, 2nd Floor
Cricket Square
PO Box 10293
George Town
Grand Cayman KY1-1003
Cayman Islands

Effective 1 March 2017:
Citco Trustees (Cayman) Limited
89 Nexus Way
Camana Bay
PO Box 31106
Grand Cayman KY1-1205
Cayman Islands

Investment Manager and Introducing Broker
(Introducing broker effective 1 March 2017)
AHL Partners LLP
Riverbank House
2 Swan Lane
London EC4R 3AD
United Kingdom

Services Manager and Marketing Adviser
(Introducing broker until 28 February 2017)
Man Investments AG
Huobstrasse 3
CH-8808 Pfäffikon SZ
Switzerland

Valuations Service Provider, Shareholder Services Provider and registrar
Until 28 February 2017:
Citibank Europe plc
1 North Wall Quay
Dublin
Ireland

Administrator
Effective 1 March 2017:
BNY Mellon Fund Services (Ireland) Designated Activity Company
One Doclkland Central *(formerly Guild House)*
Guild Street
IFSC
Dublin 1
Ireland

Auditors
Ernst & Young Ltd.
62 Forum Lane
Camana Bay
PO Box 510
Grand Cayman KY1-1106
Cayman Islands

Subscription Account Holder and Custodian
Until 28 February 2017:
Citibank N.A., London Branch
Citigroup Centre
Canary Wharf
London E14 5LB
United Kingdom

Custodian
Effective 1 March 2017:
The Bank of New York Mellon (London Branch)
One Canada Square
London E14 2AL
United Kingdom

Principal Paying Agent
Until 28 February 2017:
SS&C Fund Services (Bermuda) Ltd.
5 Reid Street
Hamilton HM 11
Bermuda

Principal Office Provider
Effective 1 March 2017:
BNY Mellon Fund Management (Cayman) Limited
72 Market Street
Cassia Court
Suite 2204
PO Box 31371
Grand Cayman KY1-1206
Cayman Islands

Legal Advisers to the Company as to Cayman Islands Law
Maples and Calder
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

Company Secretary
Until 28 February 2017:
Christine Perinchief
SS&C Fund Services (Bermuda) Ltd.
5 Reid Street
Hamilton HM 11
Bermuda

Effective 1 March 2017:
CSS Corporation Ltd.
89 Nexus Way
Camana Bay
PO Box 31106
Grand Cayman KY1-1205
Cayman Islands

The Directors hereby present their annual report and audited financial statements for the year ended 30 June 2017. A summary of the results for the year under review is shown on page 6. A review of the business during the year which has been prepared by the Investment Manager is outlined below.

The Company accrued a loss over the 12 months to June 2017.

It was a year characterised by several themes; major equity markets rallied to all-time highs, the US elected Donald Trump to be its 45th President, the UK formally triggered Article 50 of the Lisbon Treaty signalling its intention to leave the European Union, and the US Federal Reserve hiked rates 3 times.

The programme's predominantly long stock positions were the most profitable sector, benefitting from investor enthusiasm for US political change and generally strong earnings. A long in the Korean Kospi and a short in the Vix Volatility Index as the index fell to 30-year lows contributed the most.

Credit trading also accrued gains from the long side led by positions in the US High Yield CDX Index and the European 5yr Crossover iTraxx Index.

Currency markets contributed negatively on the year. The largest detractor was the CAD/USD pair where the programme held short positions for the bulk of the year. The CLP/USD pair contributed 2nd most to losses largely through long positions on the year. Losses were incurred as the market became concerned with EM FX markets in the wake of the Trump victory in the US.

Fixed Income detracted 2nd most at the sector level. Euribor contributed most to losses through longs in the beginning and end of the year and shorts in the middle. The next largest losses were driven by mixed positioning in the German 30-year Buxl.

Commodities trading fared the worst of all. Natural Gas produced the largest losses over the course of the year. A majority of losses were incurred in November and December when prices rallied to a 23-month high on the back of a drop in inventories and colder temperatures while the programme was holding short positions. Gold dragged on performance 2nd most during the year as choppy prices proved to be challenging for the programme's algorithms.

Details on the principal risks and investment or economic uncertainties that the Company might face are outlined in Note 6 of the financial statements.

Signed on behalf of the Board of Directors on 16 November 2017

Jennifer Thomson Director	Timothy Sweeting Director

Man AHL Diversified (Cayman) Ltd.

Statement of assets and liabilities
As at 30 June 2017

	Notes	2017 USD
Assets		
Cash and cash equivalents	3	267,988,027
Cash with brokers	3	17,732,575
Investments in managed funds, at fair value (Cost: USD 226,946,352)	4	218,423,058
Unrealised gain on forward currency contracts	4	97,157
Other assets and prepaid expenses		78,787
Total assets		**504,319,604**
Liabilities		
Unrealised loss on forward currency contracts	4	(2,800,668)
Accounts payable and accrued expenses	8,10	(2,546,287)
Total liabilities		**(5,346,955)**
Net assets attributable to Redeemable Participating Shareholders		**498,972,649**

Which are represented by:

Equity		
50,346,460 Class A USD Redeemable Participating Shares with a Net Asset Value per Share of USD 1.1860	11	USD 59,713,215
276,124,743 Class B JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY 115.0569	11	JPY 31,770,077,815
4,095,870 Class C AUD Redeemable Participating Shares with a Net Asset Value per Share of AUD 1.2561	11	AUD 5,144,905
205,387,998 Class E JPY Redeemable Participating Shares with a Net Asset Value per Share of JPY 83.6128	11	JPY 17,173,080,172

Approved and authorised for issue on behalf of the Board on 16 November 2017.

Jennifer Thomson
Director

Timothy Sweeting
Director

Investments	2017 Holdings/ Notional*	Redemption Frequency	Redemption Notice Period	2017 Fair Value USD	2017 % of Net Assets
Related managed funds - long					
North America					
- Bermuda					
AHL Evolution Ltd **	20,786	Daily	1 Day	88,820,268	17.80%
AHL Institutional Series 3 Ltd **	1,989,143	Daily	1 Day	129,602,790	25.97%
Total Bermuda (Cost : USD 226,946,352)				218,423,058	43.77%
Total managed funds - long				218,423,058	43.77%
Forward currency contracts - long					
Asia					
Forward currency contracts				53,212	0.01%
Total Asia - long				53,212	0.01%
South Pacific					
Forward currency contracts				43,945	0.01%
Total South Pacific - long				43,945	0.01%
Total forward currency contracts - long				97,157	0.02%
Forward currency contracts - short					
Asia					
Forward currency contracts				(2,799,390)	(0.56%)
Total Asia - short				(2,799,390)	(0.56%)
South Pacific					
Forward currency contracts				(1,278)	-
Total South Pacific - short				(1,278)	-
Total forward currency contracts - short				(2,800,668)	(0.56%)

*The quantity of the individual investment is only disclosed for any investments which make up greater than 5% of the Net Asset Value of the Company.
**The funds are affiliates of the Company as they share the same Investment Manager.

The accompanying notes form an integral part of these financial statements.

Man AHL Diversified (Cayman) Ltd.

Statement of operations
For the year ended 30 June 2017

	Notes	2017 USD
Investment income		
Interest income		777,545
Other income	8,10	809,544
Total income		1,587,089
Expenses		
Interest expense		(3,628)
Management fees	8,10	(10,207,092)
Introducing broker fees	8,10	(5,521,265)
Services Manager fees	8,10	(1,419,803)
Other expenses	8,10	(245,499)
Total expenses		(17,397,287)
Net investment loss		(15,810,198)
Realised and unrealised gain/(loss) on investments, derivatives and foreign currency		
Realised gain on:		
- Investments in managed funds		4,835,519
- Forward currency contracts		3,354,079
- Foreign currency		5,295,675
Total realised gain	9	13,485,273
Realised loss on:		
- Investments in managed funds		(49,467,780)
- Forward currency contracts		(53,447,508)
- Foreign currency		(38,757)
Total realised loss	9	(102,954,045)
Total net realised loss on investments, derivatives and foreign currency		(89,468,772)
Movement in unrealised gain on:		
- Investments in managed funds		18,724,841
- Forward currency contracts		8,924,077
- Foreign currency		1,527,027
Total movement in unrealised gain	9	29,175,945
Movement in unrealised loss on:		
- Investments in managed funds		(9,296,441)
- Forward currency contracts		(4,620,809)
- Foreign currency		(5,672,333)
Total movement in unrealised loss	9	(19,589,583)
Total net movement in unrealised gain on investments, derivatives and foreign currency		9,586,362
Net realised and movement in unrealised loss on investments, derivatives and foreign currency		(79,882,410)
Net decrease in net assets resulting from operations		(95,692,608)

All recognised gains and losses for the year arose solely from continuing operations.

Man AHL Diversified (Cayman) Ltd.

Statement of changes in net assets
For the year ended 30 June 2017

	Notes	2017 USD
Decrease in net assets resulting from operations		
Net investment loss		(15,810,198)
Net realised loss from investments, derivatives and foreign currency		(89,468,772)
Net movement in unrealised gain on investments, derivatives and foreign currency		9,586,362
Net decrease in net assets resulting from operations		(95,692,608)
Decrease in net assets resulting from capital transactions		
Issue of Class A USD 4,946,806 Redeemable Participating Shares	11	6,050,220
Redemption of Class A USD 28,296,733 Redeemable Participating Shares	11	(34,140,697)
Issue of Class B JPY 34,443,023 Redeemable Participating Shares	11	36,438,114
Redemption of Class B JPY 35,348,583 Redeemable Participating Shares	11	(40,820,184)
Issue of Class C AUD 19,056 Redeemable Participating Shares	11	17,982
Redemption of Class C AUD 715,261 Redeemable Participating Shares	11	(692,101)
Issue of Class E JPY 2,000,000 Redeemable Participating Shares	11	1,516,554
Redemption of Class E JPY 20,611,944 Redeemable Participating Shares	11	(16,324,846)
Net decrease in net assets resulting from capital transactions		(47,954,958)
Net decrease in net assets during the year		(143,647,566)
Net assets at the beginning of the year		642,620,215
Net assets attributable to Redeemable Participating Shareholders at end of year		498,972,649
Reconciliation of net assets at the beginning of the year reported under IFRS to US GAAP*		
Net assets at the beginning of the year under IFRS		642,620,215
ASC 480 redemptions payable		-
Net assets at the beginning of the year under US GAAP		642,620,215

* US GAAP standard ASC 480 *Distinguishing liabilities from equity* requires gross redemptions with a dealing date of 1 July 2016 (based on the Net Asset Value per Share at 30 June 2016) to be recorded in the financial statements at 30 June 2016 as 'Redemptions payable'.

The accompanying notes form an integral part of these financial statements.

	2017 USD
Cash flows from operating activities	
Net decrease in net assets resulting from operations	(95,692,608)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:	
Net realised loss on investments in managed funds	44,632,261
Net change in unrealised gain on investments in managed funds	(9,428,400)
Purchase of investments in managed funds	(408,135,137)
Proceeds from disposal of investments in managed funds	430,540,036
Net movement in unrealised gain on forward currency contracts	(4,303,268)
Decrease in other assets and prepaid expeneses	28,523
Increase in accounts payable and accrued expenses	851,801
Net cash used in operating activities	(41,506,792)
Adjustments to reconcile for net cash used in financing activities:	
Proceeds from issuance of Redeemable Participating Shares	44,022,870
Payments on redemptions of Redeemable Participating Shares	(91,977,828)
Net cash used in financing activities	(47,954,958)
Net change in cash and cash equivalents	(89,461,750)
Cash and cash equivalents at beginning of year	375,182,352
Cash and cash equivalents at end of year	285,720,602
Net change in cash and cash equivalents for the year consists of:	
Net change in cash and cash equivalents before the effect of exchange rate flactuations	(90,573,362)
Effect of exchange rate flactuations on cash and cash equivalents	1,111,612
Net change in cash and cash equivalents	(89,461,750)
Cash and cash equivalents consist of:	
Cash and cash equivalents	267,988,027
Cash with brokers	17,732,575
	285,720,602
Supplemental disclosure of cash flow information:	
Interest received	797,725
Interest paid	(3,673)

The accompanying notes form an integral part of these financial statements.

1. General

Man AHL Diversified (Cayman) Ltd. (the "Company") was incorporated with limited liability under the laws of the Cayman Islands on 12 March 2012. The Company registered as a regulated open-ended mutual fund with the Cayman Islands Monetary Authority under section 4(1)(b) of the Mutual Funds Law (2015 Revision) of the Cayman Islands on 5 April 2012. The Company has issued four share classes – Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares, Class C AUD Redeemable Participating Shares and Class E JPY Redeemable Participating Shares (the "Share Classes"). In 2016, the Company launched Class D EUR Redeemable Participating Shares and Class E JPY Redeemable Participating Shares. No investors had subscribed into Class D EUR Redeemable Participating Shares as at 30 June 2017.

Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares and Class C AUD Redeemable Participating Shares have been listed on The International Stock Exchange (formerly known as the Channel Islands Securities Exchange) since 8 May 2012.

The Company commenced trading on 30 April 2012. Its objective is to achieve medium-term capital growth. The proceeds from the issuance of Redeemable Participating Shares will be invested into the AHL Diversified Programme through investments in AHL Institutional Series 3 Ltd and AHL Evolution Ltd. The AHL Diversified Programme is managed by AHL. AHL is an investment division of Man Group and it operates through various legal vehicles. AHL provides investors with highly liquid and efficient trading strategies which offer low correlation to more traditional investment disciplines. Man Group means Man Group plc and all or any of its subsidiaries and associates, as the context requires.

AHL Partners LLP (the ''Investment Manager'') was appointed as the Investment Manager of the Company. The responsibility for the investment selection, portfolio construction and portfolio management of the Company's portfolio rests with the Investment Manager.

The most recent applicable Offering Memorandum of the Company is dated 1 March 2017.

2. Summary of significant accounting policies

a) Method of accounting

The financial statements are prepared in conformity with accounting policies generally accepted in the United States of America ("US GAAP") and are presented in United States Dollars.

First time adoption of US GAAP

The financial statements for the year ended 30 June 2016 were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Management has assessed that there are no material differences between IFRS and United States Generally Accepted Accounting Principles ("US GAAP") and has concluded that US GAAP is more appropriate for the Company in preparing the financial statements for the year ended 30 June 2017 and going forward. These financial statements are therefore prepared in conformity with US GAAP. US GAAP standard, *Accounting Standards Codification ("ASC") 480, Distinguishing Liabilities from Equity*, requires gross redemptions with a dealing date of 1 July 2016 (based on the net asset value per share at 30 June 2016) to be recorded in the financial statements at 30 June 2016 as 'Redemptions payable'. There were no redemptions effected after the end of the year, based upon year end net asset value. Reconciliation of opening net assets under IFRS to US GAAP is disclosed in the statement of changes in net assets.

Management has determined that the Company is an Investment Company in conformity with US GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 946, Financial Services - Investment Companies ("ASC 946").

b) Use of accounting judgements and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, including certain valuation assumptions. Actual results could differ from such estimates.

c) Recent accounting pronouncements

In May 2015, the FASB issued ASU 2015-07, "Disclosures for investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)", which impacts reporting entities that measure an investment's fair value using the net asset value per share (or an equivalent) practical expedient. The amendments in ASU No. 2015-07 eliminate the requirement to classify the investment within the fair value hierarchy and the requirement to make specific disclosures for all investments eligible to be assessed at fair value where the net asset value per share practical expedient has been removed. Instead, such disclosures are restricted only to investments that the entity has decided to measure using the practical expedient.

ASU 2015-07 is effective for fiscal years starting after 15 December 2016, and interim periods within. Reporting entities should apply the amendments retrospectively to all periods offered. Using the amendments retrospectively requires an investment in which fair value is assessed through the net asset value per share practical expedient is eliminated from the fair value hierarchy in all periods presented in financial statements. Early application is permitted. Management has elected to early adopt the amendment in current year and the impact of adoption is limited to the notes to the financial statements.

In January 2016, the FASB issued ASU 2016-01"Financial Instruments-Overall (Subtopic 825-10): Recognition and measurement of Financial Assets and Financials Liabilities "ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. ASU 2016-01 is effective for annual reporting periods, and interim periods within those years beginning after December 2017. Management does not expect that this standard will have a material effect on the Company's financial statements.

d) Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern; therefore, the financial statements continue to be prepared on a going concern basis.

2. Summary of significant accounting policies (continued)

e) Investment transactions and related investment income and expenses

Security transactions are recorded on a trade date basis. Realised gains and losses are computed using the first-in, first-out method. Interest income, interest expense and operating expenses are recorded on an accrual basis. Dividend income, net of applicable withholding taxes and dividend expenses on securities sold short, are recorded on the ex-dividend date.

f) Fair value measurement

Definition and hierarchy

The fair value of the Company's assets and liabilities which qualify as financial instruments under the FASB Accounting Standards Codification Topic on "Fair Value Measurement" approximates the carrying amounts presented in the statement of assets and liabilities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments measured and reported at fair value, other than those valued using the Net Asset Value ("NAV") practical expedient, are classified and disclosed in a fair value hierarchy that prioritizes the inputs to valuation techniques is used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the valuation date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and is used to measure fair value whenever possible.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

a) Quoted prices for similar or identical assets and liabilities in active markets.
b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
c) Inputs other than quoted prices that are observable for the asset or liability (e.g. interest rate and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates). Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the valuation date. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs are developed based on the best information available in the circumstances, and might include the Company's own data.

Investments are reviewed at each financial reporting point to ensure that they are correctly classified between Level 1, 2 and 3 in accordance with the fair value hierarchy outlined above. Where an investment's characteristics change during the year and investments no longer meet the criteria of a given level, they are transferred into a more appropriate level at the end of the relevant financial reporting period. For the year ended 30 June 2017 there were no transfers between levels.

Valuation

The Company accounts for its investments in managed funds in accordance with relevant authoritative guidance, which defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Relevant authoritative guidance permits the Company, as a practical expedient, to measure the fair value of its investments in managed funds on the basis of the NAV per share (or the equivalent) of such investments if the NAV per share of such investments is calculated in a manner consistent with the measurement principles of applicable authoritative guidance as of the Company's statement of assets and liabilities. The fair value of the Company's investments in managed funds is based on the information provided by such managed funds' management, which reflects the Company's share of the fair value of the net assets of such managed funds (i.e. the practical expedient is used).

Investments in managed funds are valued at fair value, as determined by each managed fund's independent administrator or investment manager. In determining fair value, the administrator utilises the valuations of the managed funds to determine the fair value of its managed fund interests. The managed funds in which the Company is invested, value securities and other financial investments on a mark-to-market or fair value basis of accounting. The estimated fair values of certain of the investments of the managed funds may include private placements and other securities for which prices are not readily available.

These estimated fair values are determined by the administrator or investment manager of the respective managed funds and may not reflect amounts that could be realised upon immediate sale, or amounts that ultimately may be realised. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments and the difference could be material.

Derivative instruments dealt on a market are valued at the settlement price as of the date of valuation for such instruments on such markets.

g) Derivatives

ASC Topic 815 on Derivatives and Hedging establishes, among other things, the disclosure requirements for derivative instruments and hedging activities. The Company's derivative contracts are comprised of forward currency contracts. These derivative contracts are recorded in the statement of assets and liabilities as assets measured at fair value and the related realised and the change in unrealised gain/(loss) associated with these derivatives is recorded in the statements of operations. The Company does not designate any derivative instruments as hedging instruments.

2. Summary of significant accounting policies (continued)

g) Derivatives (continued)
The fair values of these derivatives held for trading purposes are individually disclosed on the face of the statement of assets and liabilities.

Derivative financial instruments are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Models are calibrated by back testing to actual transactions to ensure outputs are reliable. Models use observable data to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require the Directors to make estimates. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments at the year end.

All derivative financial instruments are carried in assets when amounts are receivable by the Company and in liabilities when amounts are payable by the Company. Changes in the fair values of derivatives are included as net realised and movement in unrealised gain/(loss) on investments, derivatives and foreign exchange in the statement of operations. During the year, when the contract is open, changes in the value of the contracts are recognised as total movement in net unrealised gain on investments derivatives and foreign currency in the statement of operations to reflect the fair value of the contract at the last day of the valuation period. When the contract is closed, the Company records a realised gain/(loss) equal to the difference between the proceeds from (or cost of) the closing transaction and the Company's basis in the contract.

The Company may engage in forward currency contracts which are recorded on the trade date and are valued at the applicable foreign exchange rates on the last business day of the financial year. The difference between the fair value of the original contract amount and the fair value of the open forward currency contract position is reflected as unrealised gain/(loss) on forward currency contracts in the statement of assets and liabilities and included in total movement in net unrealised gain on investments, derivatives and foreign currency in the statement of operations. Realised gains/(losses) are recognised on the maturity or trade date of the contract and are included in total net realised loss on investments, derivatives and foreign currency in the statement of operations.

h) Realised and unrealised gains and losses
All realised and unrealised gains and losses on investments in managed funds and derivatives are recognised as net realised and movement in unrealised loss on investments, derivatives and foreign currency in the statement of operations. Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior year's unrealised gains and losses for financial instruments which were realised in the financial year. Realised gains and losses represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin account for such instruments). The cost of securities sold is accounted for on FIFO basis. Transaction costs or incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability are included within the net realised and movement in unrealised loss on investments, derivatives and foreign currency in the statement of operations.

i) Functional and presentation currency
The Company seeks to generate returns in United States dollars. The liquidity of the Company is managed on a day-to-day basis in United States dollars, Australian dollars and Japanese Yen, in order to handle the issue and redemption of the Company's Redeemable Participating Shares. The Company's performance is evaluated in United States dollars. Therefore, as the United States dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions, the Company's functional currency and presentation currency is the United States dollar.

j) Foreign currency
Transactions during the year denominated in foreign currencies have been translated into functional currency at the rates of exchange ruling at the dates of transactions. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange in effect at the date of the statement of assets and liabilities. For transactions and investments held at the year end denominated in foreign currency, the resulting gains or losses are included in the net realised and movement in unrealised loss on investments, derivatives and foreign currency, in the statement of operations.

The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included within the total net movement in unrealised gain on investments, derivatives and foreign currency in the statement of operations.

k) Interest income and expense
Interest income and expense are recognised in the statement of operations on an accruals basis, in line with the contractual terms. Interest receipts and payments in connection with these contracts are recorded on gross basis as interest income and interest expense respectively in the statement of operations.

l) Taxation
The Cayman Islands currently has no income, corporation or capital gains tax, no taxes by way of withholding and no estate duty, inheritance tax or gift tax. In addition, the Company has applied for and received from the Governor-in Cabinet of the Cayman Islands pursuant to The Tax Concessions Law (as amended) of the Cayman Islands, an undertaking, that, for a period of twenty years from the date of the undertaking, no law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations. In addition no tax on profits, income, gains or appreciation which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the Redeemable Participating Shares or other obligations of the Company.

ASC 740-10 "Accounting for Uncertainty in Income Taxes – an interpretation of ASC 740" clarifies the accounting for uncertainty in income taxes recognised in the Company's financial statements in conformity with ASC 740 "Accounting for Income Taxes". ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return.

2. Summary of significant accounting policies (continued)

l) Taxation (continued)

Management evaluates such tax positions to determine whether, for all tax years still subject to assessment or challenge by the relevant taxation authorities, the tax positions are “more-likely-than-not” to be being sustained on examination. This evaluation includes the position that further withholding taxes will not be levied on income already received by the Company. Tax positions that meet the more-likely-than-not recognition threshold are initially recorded and subsequently measured at the largest amount of tax benefit that is more than 50 percent likely of being realised on ultimate settlement, using the facts, circumstances and information at the reporting date.

Management has analysed the Company's tax positions from commencement of operations and has concluded that no provision for income tax is required in the Company’s financial statements. The Company recognises interest and penalties, if any, related to unrecognised tax liability as income tax expense in the statement of operations. During the year ended 30 June 2017, the Company did not incur any interest or penalties.

m) Income and expense allocation across share classes

Income, expenses, and realised and movement in unrealised gains or losses on investments, derivatives and foreign currency are allocated pro-rata to each Redeemable Participating Share class based on the respective Net Asset Value.

n) Redeemable Participating Shares

Redeemable Participating Shares are classified as equity. Redeemable Participating Shareholders are entitled to a share of the Company’s net assets in the event of the Company’s liquidation however Share classes do not share identical features. The total expected cash flows attributable to the Redeemable Participating Shareholders over the life of the instruments are based substantially on the profit or loss and the change in the recognised net assets.

The Redeemable Participating Shares are redeemable at the Redeemable Participating Shareholders’ option. The Redeemable Participating Shares can be put back to the Company under redemption terms set out in the Company’s Offering Memorandum.

The Redeemable Participating Shares are carried at the redemption amount that is payable at the statement of assets and liabilities date if the Redeemable Participating Shareholders exercised their right to put the Redeemable Participating Shares back to the Company.

o) Redemptions payable

A request for redemption of Redeemable Participating Shares by an investor is considered a mandatory redeemable financial instrument and shall be classified as a liability. Accordingly, requests for redemptions effective 1 July 2017 are classified as redemptions payable in the statement of assets and liabilities. There were no redemptions payable as at 30 June 2017.

p) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Company has a legal enforceable right to offset and the transactions are intended to be settled on a net basis or simultaneously. As at year end, no financial instruments of the Company are being presented net within the statement of assets and liabilities.

3. Cash and cash equivalents and cash with broker

At the year end, amounts disclosed as cash and cash equivalents were held at The Bank of New York Mellon SA/NV and BNP Paribas (the “Banks”) and The Bank of New York Mellon SA/NV, Deutsche Bank and Citibank N.A. (the “Brokers”). Cash and cash equivalents in the statement of assets and liabilities comprises cash on hand, demand deposits, short-term deposits in banks, short-term highly liquid investments and cash equivalents that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and with original maturities of three months or less. Cash with broker includes amounts transferred as collateral against open forward currency contracts and other derivatives. Amounts receivable from short sales and collateral may be restricted in whole or in part until the related securities are purchased. To the extent that securities are purchased on margin, the margin debt may be secured on the related securities. Included in cash and cash equivalents balances at 30 June 2017 is US T-bills with a fair value of USD 230,830,208 (cost: USD 230,700,759). Generally, the collateral posted with the Broker has terms of full title transfer with no segregation. At 30 June 2017, the Company held cash and cash equivalents denominated in foreign currencies with a fair value of USD 152,951 (cost: USD 152,951). As at 30 June 2017 the amount of collateral cash pledged is USD 17,725,987.

4. Fair Value of Financial Instruments

Details of the Company’s investments at 30 June 2017 are disclosed in the condensed schedule of investments.

The Investment Manager generally uses the capital balance or NAV reported by the managed fund’s administrator or investment manager as the primary input to its valuation; however adjustments to the reported capital balance or NAV may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, and any restrictions or illiquidity on such interests, and the fair value of such managed fund's investment portfolio or other assets and liabilities. As at 30 June 2017, no such adjustments were made.

In the event that a managed fund was not valued using the practical expedient, a managed fund’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgement by the Investment Manager. The Investment Manager considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorisation of a managed fund within the hierarchy is based upon the pricing transparency of that managed fund and does not necessarily correspond to the Investment Manager's perceived risk of that managed fund.

4. Fair Value of Financial Instruments (continued)

Managed funds are generally open-ended funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by each managed fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio (i.e. the more liquid the investments in the portfolio, the greater the liquidity provided to the investors). Liquidity of individual managed funds varies based on various factors and may include "gates", "holdbacks" and "side pockets" imposed by the investment manager of the managed fund, as well as redemption fees which may also apply. As at 30 June 2017, liquidity terms for the managed funds exceeding 5% of the Company's net assets are set out in the condensed schedule of investments.

At 30 June 2017, all of the Company's investments in managed funds were valued using the NAV reported by the managed fund's management; as such, they have not been categorised in the fair value hierarchy.

The Company's assets and liabilities carried at fair value not using the practical expedient have been categorised based upon the fair value hierarchy based on valuation policy described in Note 2(e). The following is a summary of the Company's financial instruments carried at fair value not using the practical expedient as of 30 June 2017.

As at 30 June 2017	Level 1 USD	Level 2 USD	Level 3 USD	Total Fair Value USD
Assets, included in fair value hierarchy				
Derivatives				
Forward currency contracts	-	97,157	-	97,157
Total Derivatives	-	97,157	-	97,157
Total Assets, included in the fair value hierarchy	-	97,157	-	97,157
Liabilities, included in the fair value hierarchy				
Derivatives				
Forward currency contracts	-	(2,800,668)	-	(2,800,668)
Total Derivatives	-	(2,800,668)	-	(2,800,668)
Total Liabilities, included in the fair value hierarchy	-	(2,800,668)	-	(2,800,668)
Investments measured at NAV				218,423,058
Investments at fair value				215,719,547

Investments are reviewed at each financial year end to ensure that they are correctly classified between Level 1, 2 and 3 in accordance with the fair value hierarchy outlined above. Where an investment's characteristics change during the year and investments no longer meet the criteria of a given Level, they are transferred into a more appropriate Level at the end of the relevant financial year end. For the year ended 30 June 2017, there were no transfers between levels. As at 30 June 2017, the Company did not hold any Level 3 investments.

None of the financial instruments were pledged as collateral.

5. Derivative contracts

The following table summarises the derivative financial instruments as at 30 June 2017. The table also discloses the notional amount of forward currency contracts, which are disclosed by the payable and receivable legs entered into by the Company. The notional value of derivative instrument activity as at 30 June 2017 is representative of the derivative trading during the year.

As at 30 June 2017	Assets Notional USD	Assets Fair Value USD	Liabilities Notional USD	Liabilities Fair Value USD
Forward currency contracts	491,226,169	97,157	(493,929,680)	(2,800,668)

The Company invests in forward currency contracts, as detailed in Note 4. The forward currency contracts are cleared through The Bank of New York Mellon SA/NV which is situated in Belgium.

5. Derivative contracts (continued)

The effect of transactions in derivative instruments on the statement of operations during the year to 30 June 2017 is as follows:

Primary underlying risk	Locations of gain/(loss) in statement of operations	Amount of gain/(loss) on derivatives 2017 USD
Foreign exchange risk		
Forward currency contracts	Net realised loss on forward currency contracts	(50,093,429)
Forward currency contracts	Net movement in unrealised gain on forward currency contracts	4,303,268
Total		(45,790,161)

Typically, derivative contracts serve as components of the Company's investment strategy and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Company. The derivative contracts that the Company holds are forward currency contracts.

The Company records its derivative activities on a mark-to-market basis. Fair values are determined in accordance with the valuation principles set out in Note 2. The Company has not designated any derivative instruments as hedging instruments. Refer to the condensed schedule of investments for detailed information regarding derivative types and their fair value at 30 June 2017. For non-exchange traded derivatives, under standard derivatives agreements, the Company may be required to post collateral on derivatives if the Company is in a net liability position with the counterparty exceeding certain amounts.

- Forward currency contracts

The Company enters into various forward currency contracts in the normal course of pursuing its investment objectives. The Company may use forward currency contracts to gain exposure to, or hedge against, changes in the fair value of foreign currencies. Forward currency contracts obligate the Company to either buy or sell an asset at a specified future date and price. Risks associated with forward currency contracts are inability of counterparties to perform as specified in their contracts and movements in fair value.

6. Financial risk management

The Company's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Company is exposed to are market risk, credit risk and liquidity risk. Market risk includes among other things; security price risk, interest rate risk, volatility risk and currency risk. The Company manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies.

The nature and extent of the financial instruments outstanding at the date of the statement of assets and liabilities and the risk management policies employed by the Company are discussed below.

Overall risk management

AHL Diversified Programme

AHL manages the AHL Diversified Programme which employs sophisticated computerised processes to identify trends in markets around the world. Trading signals are generated and executed via a finely tuned trading and implementation infrastructure. This process is quantitative and primarily directional in nature, meaning that investment decisions are entirely driven by mathematical models based on market trends and other historical relationships. It is underpinned by rigorous risk control, ongoing research, diversification and the constant quest for efficiency.

The cornerstone of the investment philosophy is that the financial markets exhibit persistent trends and other inefficiencies. Trends are a manifestation of serial correlation in financial markets – the phenomenon whereby past price movements influence future price behaviour. Although they vary in their intensity, duration and frequency, price trends are universally recurrent across all sectors and markets. Trends are an attractive focus for active trading styles applied across a diverse range of global markets.

Trading takes place around-the-clock and real time price information is used to respond to price moves across a diverse range of global markets. The AHL Diversified Programme invests in a diversified portfolio of instruments which may include, but not limited to, futures, options, forward contracts, CFDs, swaps and other financial derivatives both on and off exchange. These markets may be accessed directly or indirectly and include, without limitation, stocks, debt, bonds, currencies, short-term interest rates, energies, metals, credit and agriculturals.

As well as emphasising sector and markets diversification, the AHL Diversified Programme has been constructed to achieve diversification by allocating to multiple trading systems. Most of these systems work by sampling prices in real time and measuring price momentum and breakouts, aiming to capture price trends and close out positions when there is a high probability of a different trend developing. Signals are generated across different time frames, ranging from a few days to several months. In aggregate, the systems currently run around 2,000 price samples each day spread across the 350 or so markets traded. The AHL Diversified Programme also includes other technical systems, as well as quantitative models based on a variety of fundamental inputs, such as interest rate and equity valuation data.

6. Financial risk management (continued)

Overall risk management (continued)

AHL Diversified Programme (continued)

In line with the principle of diversification, the approach to portfolio construction and asset allocation is premised on the importance of deploying investment capital across the full range of sectors and markets. Particular attention is paid to correlation of markets and sectors, expected returns, market access costs and market liquidity. Portfolios are regularly reviewed and, when necessary, adjusted to reflect changes in these factors. A systematic process for adjusting market risk exposure in real time to reflect changes in the volatility of individual markets is also in place. Through AHL's ongoing investment in research and technology, the number and diversity of markets, strategies and instruments traded directly or indirectly by the AHL Diversified Programme may change over the life of the investment, but always subject to any restrictions set out in the Offering Memorandum. It should also be noted that the AHL Diversified Programme traded by the Company may differ from the AHL Diversified Programme traded by other investment products managed by entities within the Man Group. These differences generally include, among other things, differences in the types of financial instruments, markets and asset classes traded which arise out of legal structuring, applicable law and other restrictions and/or considerations with respect to such investment products.

Market risk

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates or underlying investments prices.

There are many risk measures used by the Investment Manager, however one generally understood measure is annualised volatility. Annualised volatility is a measure of risk that is calculated as the standard deviation of the returns on the NAV per Redeemable Participating Share from the beginning of the year to the end of the year.

As it is based on the NAV per Redeemable Participating Share, annualised volatility incorporates all performance characteristics of the Company including the impact of interest rate movements and currency exchange differences during the year.

Annualised volatility has limitations as it assumes a normal distribution of periodic returns, which may not be fully representative of hedge fund behaviour. The annualised volatility will also be a more accurate measure where more data points exist. Annualised volatility is based upon historical data. There is no guarantee of trading performance and past performance is no indication of future performance or results.

As at 30 June 2017, the annualised volatility for the Company for Class A USD was 8.62%, for Class B JPY was 8.75%, for Class C AUD was 8.63%, and for Class E JPY was 8.75%.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is indirectly exposed to interest rate risk through its Investment Strategy, which is deliberately designed to generate returns through trading strategies focused on exploiting price differentials in rates. The sensitivity of these exposures is modelled through the overall volatility analysis provided in the market risk section.

The Company's direct exposure to interest rate risk is on cash and cash equivalents and cash with brokers held at 30 June 2017.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The non-USD denominated share classes of the Company are exposed to currency risk through its investment in USD denominated investments. The Investment Manager has an active procedure to monitor foreign exchange exposures and manages this risk through entering into offsetting forward currency contracts.

The Company is also indirectly exposed to foreign exchange risk through their underlying strategies of the managed funds held, where foreign exchange risk trading forms part of the mandated investment strategy.

Other price risk

Other price risk is the risk that the price of a financial instrument will fluctuate due to changes in market conditions influencing, directly or indirectly, the value of the instrument.

The Company is exposed to price risk from its investments. Due to the nature of the trading strategies followed by these investments, no direct relationship between any market factors and the expected prices of the investments can be reliably established.

Other price risk is managed through the overall risk management processes described above.

6. Financial risk management (continued)

Concentration of credit and counterparty risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company.

The Company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of 30 June 2017 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets in the statement of assets and liabilities.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. Credit risk is mitigated for the AHL Diversified Programme through the diversity of counterparties and regular monitoring of concentration risk.

The table below analyses the Company’s exposure of cash and cash equivalents and cash with brokers by rating agency category at 30 June 2017.

	Moody’s Rating	2017	2017
Counterparty		USD	%
Citibank N.A.	A1	6,589	-
Deutsche Bank	A3	(13)	-
BNP Paribas	A1	26,666,940	9.33%
The Bank of New York Mellon SA/NV	A1	259,047,086	90.67%
		285,720,602	100.00%

The Investment Manager performs due diligence on all counterparties before they become a service provider or counterparty to the Company, and credit quality checks are part of this process. The credit quality of the Company's banks, broker and any lenders is regularly monitored and factored into allocation decisions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with liabilities. Redeemable Participating Shareholder redemption requests are the main liquidity risk for the Company.

The Company’s Redeemable Participating Shares are redeemable as outlined in Note 11. The exposure to liquidity risk through Redeemable Participating Shareholder redemption requests is managed by specifically setting the redemption notice period to accommodate the expected liquidity of the underlying investments as agreed by the Investment Manager.

Generally, the Company takes on minimal liquidity risk as it invests in managed funds with a redemption notice period equal to or less than that of the Company. This ensures that liquidity can always be maintained.

Derivative financial instruments

The Company is subject to both market and credit risk in trading derivative financial instruments. Market risk is the potential for changes in value due to changes in market interest rates, foreign exchange rates, indices and changes in the value of the underlying financial instruments. Credit risk is the possibility that a loss may occur if counterparty fails to perform according to the terms of the contract. Substantially all derivative contracts are transacted on a margin basis. Such transactions may expose the Company to significant off-balance sheet risk in the event margin deposits and collateral investments are not sufficient to cover losses incurred.

The Investment Manager manages the risk associated with these transactions by maintaining margin deposits and collateral investments with its brokers in compliance with individual exchange regulations and internal guidelines. The Investment Manager also takes an active role in managing and controlling the Company’s market and counterparty risks and monitoring trading activities and margin levels daily, and, as necessary, deposits additional collateral or reduces positions.

7. Offsetting financial assets and financial liabilities

As at 30 June 2017, no financial instruments of the Company are being presented net within the statement of assets and liabilities of the Company. The following table provides information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement in the event of default as defined under such agreements.

7. Offsetting financial assets and financial liabilities (continued)

The following table summarises the net financial assets per counterparty as at 30 June 2017:

Offsetting of financial assets, derivative assets and collateral received by counterparty

	(i)	(ii) Gross assets not offset in the statement of assets and liabilities		(iii)=(i)+(ii)
Counterparty	Gross amounts of assets in the statement of assets and liabilities USD	Financial instruments USD	Cash collateral received USD	Net amount USD
The Bank of New York Mellon SA/NV	97,157	(97,157)	-	-
Total	97,157	(97,157)	-	-

The following table summarises the net financial liabilities per counterparty as at 30 June 2017:

Offsetting of financial liabilities, derivative liabilities and collateral pledged by counterparty

	(i)	(ii) Gross liabilities not offset in the statement of assests and liabilities		(iii)=(i)+(ii)
Counterparty	Gross amounts of liabilities in the statement of assets and liabilities USD	Financial instruments USD	Cash collateral pledged USD	Net amount USD
The Bank of New York Mellon SA/NV	2,800,668	(97,157)	(2,703,511)	-
Total	2,800,668	(97,157)	(2,703,511)	-

8. Fees, commissions and other expenses

Management and Performance fees

The management and performance fees were recognised in accordance with the Offering Memorandum and the Investment Management Agreement and are payable to Man Investments AG (the "Services Manager"). The Services Manager agrees to share such fees with the Investment Manager for the services provided under the Investment Management Agreement.

Management fees

In respect of the Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares and Class C AUD Redeemable Participating Shares, a management fee will be calculated and charged as at each Valuation Day and paid monthly at a rate of up to 2.00% per annum of the Net Asset Value of the Redeemable Participating Shares. In respect of Class E JPY Redeemable Participating Shares, a management fee will be calculated and charged as at each Valuation Day and paid monthly at a rate of up to 1.70% per annum of the Net Asset Value of the Redeemable Participating Shares up to 30 November 2016 and at a rate of up to 1.35% per annum of the Net asset value of the Redeemable participating shares thereafter.

Performance fees

In respect of all the Redeemable Participating Share classes, a performance fee will be calculated and charged as at each Valuation Day and paid monthly at a rate of up to 20.00% of any net new appreciation per Redeemable Participating Share (prior to the calculation and deduction of the performance fee).

Services manager fees

In consideration for the services provided by the Services Manager, the Company will pay the Services Manager a service management fee calculated and charged as at each Valuation Day at the rate of 0.25% per annum of the Net Asset Value of all the Redeemable Participating Share classes subject to a minimum of USD 50,000 for each Redeemable Participating Share class. The fee shall be accrued on each Valuation Day and payable monthly in arrears.

Disbursements for the Services Manager are invoiced separately and, together with all fees, payable monthly. Up to 28 February 2017, the Services Manager paid a portion of the fees it received from the Company to Citibank Europe plc as Shareholder Services Provider, Registrar and Valuations Service Provider, and to SS&C Fund Services as Principal Paying Agent. From 1 March 2017 onwards, the Services Manager pays a portion of the fees it receives from the Company to BNY Mellon Fund Services (Ireland) Designated Activity Company as Administrator and BNY Mellon Fund Management (Cayman) Limited as the Principal Office Provider. The Services Manager is solely responsible for the payment of fees to the above named services providers and the Company will have no responsibility or liability for such fees.

8. Fees, commissions and other expenses (continued)

Services manager fees rebates

As the Company and the managed funds in which it invests share the same services manager, the Company and the Services Manager entered into a Rebate Agreement. The agreement provides for the recognition of a rebate calculated as the proportionate share of the Company on the total services manager fees recognised and paid by the managed funds in which the Company invests. Proportionate share means the percentage of the Company's share ownership in such managed funds. The rebate is calculated on a monthly basis and is recognised as services manager fees rebates included in the statement of operations. The rebate is deducted against the calculated services manager fees payable by the Company to the Services Manager. If the rebate balance is greater than the services manager fees calculated by the Company, the excess amount is recognised as a services manager fee rebate receivable from the Services Manager. The Services Manager fee rebate receivable at year end is presented under prepayments and other assets in the statement of assets and liabilities and the Services Manager fee rebate for the year is included in other income in the statement of operations.

Introducing broker fee

In respect of all the Share classes, an introducing broker fee at a rate of up to 1.00% per annum of the Net Asset Value of the each Share class will be calculated and charged as at each Valuation Day and paid monthly.

Company secretary fees

In consideration for the secretarial services provided by the Company Secretary, the Company will pay an annual retainer fee at the Company Secretary's customary rates for such services. The Company secretary fees consisted of a fixed annual fee of USD 5,000 per class of Redeemable Participating Shares payable quarterly in arrears to SS&C Fund Services (Bermuda) Ltd. up to 28 February 2017. From 1 March 2017, CSS Corporation Ltd as company secretary (the "Company Secretary"), receives an annual fee of USD 5,500 and will be reimbursed for all disbursements and reasonable expenses incurred in the performance of its duties, and such disbursements will be invoiced separately and payable annually. The costs of any such Company Secretary fees, disbursements or expenses shall be applied pro-rata to each Class of Redeemable Participating Shares.

9. Realised and unrealised gains and losses on investments and derivatives

	2017 Fair Value USD
Realised gain on investments and derivatives	
Realised gain on investments in managed funds	4,835,519
Realised gain on forward currency contracts	3,354,079
Total realised gain on investments and derivatives	8,189,598
Realised loss on investments and derivatives	
Realised loss on investments in managed funds	(49,467,780)
Realised loss on forward currency contracts	(53,447,508)
Total realised loss on investments and derivatives	(102,915,288)
Total net realised loss on investments and derivatives	(94,725,690)
Movement in unrealised gain on investments and derivatives	
Unrealised gain on investments in managed funds	18,724,841
Unrealised gain on forward currency contracts	8,924,077
Total movement in unrealised gain on investments and derivatives	27,648,918
Movement in unrealised loss on investments and derivatives	
Movement in unrealised depreciation on investments in managed funds	(9,296,441)
Unrealised loss on forward currency contracts	(4,620,809)
Total movement in unrealised loss on investments and derivatives	(13,917,250)
Total net movement in unrealised gain on investments and derivatives	13,731,668

10. Related party transactions

Master Multi-Product Holdings Ltd, a Bermuda incorporated company, is a related party through its 100% holding of the Management Shares in the Company. Master Multi-Product Holdings Ltd is itself owned by Codan Trust Company Limited as trustee of the Master Multi-Product Purpose Trust. Codan Trust Company Limited is, therefore, the ultimate controlling party of the Company.

AHL Partners LLP is a related party as it is the Investment Manager and Introducing Broker of the Company.

Man Investments AG is a related party as it is the Services Manager and Marketing Adviser of the Company.

AHL Partners LLP and Man Investments AG are subsidiaries of Man Group plc and all subsidiaries of Man Group plc are related parties.

10. Related party transactions (continued)

Man Group plc companies are also involved, in varying capacities, in the management of the managed funds the Company has invested in, as set out in Note 4.

Each of the Directors is or may become involved in other financial investment and professional activities which may cause conflicts of interest with the management of the Company. These activities include management or administration of other companies (including those with investment objectives similar to that of the Company or structures that may be related to Man Group Plc sponsored investment funds), purchases and sales of securities and other investments, investment and management counselling and serving as directors, officers advisers and/or agents of other companies, including companies or legal structures in which the Company may invest and/or which may invest into the Company.

The following transactions took place between the Company and its related parties:

For the year ended 30 June 2017 Related party	Type of fee	Total Fees USD	Fees payable/(prepaid) at 30 June 2017 USD
Man Investments AG	Management fees	10,207,092	1,531,831
Man Investments AG	Introducing broker fees	5,521,265	856,949
Man Investments AG	Services Manager fees	1,419,803	117,944
Man Investments AG	Services Manager fee rebate	(796,784)	(64,076)
Directors	Directors' fees	12,000	6,041

11. Share capital

The Company has an authorised share capital of USD 50,000, AUD 50,000 and JPY 5,000,000, comprising 1,000 Management Shares of par value USD 1.00 each which carry 100% of the voting rights regardless of whether they are called, 490,000,000 Redeemable Participating Shares with a par value of USD 0.0001 each, 500,000,000 Redeemable Participating Shares with a par value of AUD 0.0001 each and 500,000,000 Redeemable Participating Shares of JPY 0.01 each, which carry no voting rights.

Management Shares of the Company

The Management Shares are beneficially owned by Master Multi-Product Holdings Ltd, a Bermuda incorporated and exempted company and a related party, which is itself owned by Codan Trust Company Limited as trustee of the Master Multi-Product Purpose Trust. Codan Trust Company Limited is, therefore, the ultimate controlling party of the Company.

In the event of a winding up or dissolution of the Company, the holders of Management Shares are entitled to an amount equal to the par value thereof, if paid up, but shall not be entitled to any other or further amounts. The Management Shares have been issued but not called. No amount is recognised until the Management Shares are called.

Redeemable Participating Shares of the Company

Class A USD Redeemable Participating Shares, Class B JPY Redeemable Participating Shares and Class C AUD Redeemable Participating Shares were offered for sale by the Company on 9 April 2012 at USD 1 per Share, JPY 100 per Share and AUD 1 Share and thereafter have been offered at the prevailing net asset value on each business day, and any other such days as the Directors shall determine, upon receipt of an application no later than 21:00 (Japan standard time) on the business day before the relevant subscription day.

Class E JPY Redeemable Participating Shares were made available at the invitation of the Directors and were subscribed for on 23 February 2016 at JPY 100 per Share and thereafter have been offered at the prevailing net asset value on each business day, and any other such days as the Directors shall determine, upon receipt of an application no later than 21:00 (Japan standard time) on the business day before the relevant subscription day.

Redeemable Participating Shares Shareholders may, upon written notice no later than 21:00 (Japan standard time) one business day before the relevant redemption day on which the redemption is required to be effected, normally redeem their Redeemable Participating Shares on any business day at a redemption price calculated by reference to the NAV per Redeemable Participating Share on the Valuation Day immediately preceding the redemption day on which the redemption is to be effected.

The rights of each Redeemable Participating Shareholder are limited to the assets attributable to the relevant Class of Redeemable Participating Shares. The obligations of the Company in respect of each Class of Redeemable Participating Shares will only be payable from the respective value or assets which are attributable to each such Class of Redeemable Participating Shares. In the event that the assets attributable to the relevant Class of Redeemable Participating Shares are insufficient to meet the obligations of the Company to pay monies to Redeemable Participating Shareholders of such Class of Redeemable Participating Shares, such Redeemable Participating Shareholders will be limited to proceeding against the relevant Class of Redeemable Participating Shares relating to their investments only and shall not be entitled to exercise any rights or have further recourse to the assets attributable to any other Class of Redeemable Participating Shares or any other assets of the Company.

Share capital transactions in the Redeemable Participating Shares for the year ended 30 June 2017 were as follows:

30 June 2017	Class A USD	Class B JPY	Class C AUD	Class E JPY
Opening redeemable participating shares	73,696,387	277,030,303	4,792,075	223,999,942
Issued redeemable participating shares	4,946,806	34,443,023	19,056	2,000,000
Redeemed redeemable participating shares	(28,296,733)	(35,348,583)	(715,261)	(20,611,944)
Closing redeemable participating shares	50,346,460	276,124,743	4,095,870	205,387,998

11. Share capital (continued)

Capital management

As a result of the ability to issue and redeem Redeemable Participating Shares, the capital of the Company can vary depending on the demand for redemptions from and subscriptions to the Company. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue and redemptions of Redeemable Participating Shares other than those set out in the Offering Memorandum.

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Offering Memorandum;
- To achieve consistent returns while safeguarding capital by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques;
- To maintain sufficient liquidity to meet the expenses of the Company, and to meet redemption requests as they arise; and
- To maintain sufficient size to make the operation of the Company cost-efficient.

Refer to Note 6 'Financial risk management', for the policies and processes applied by the Company in managing its capital.

12. Financial highlights

The following table shows selected key financial information about the Company for the year ended 30 June 2017:

Per share operating performance:	2017 Class A USD	2017 Class B JPY	2017 Class C AUD	2017 Class E JPY
Net asset value at beginning of year	1.2935	127.4891	1.3764	92.2101
Income from investment operations:				
Net investment loss	(0.0349)	(3.4147)	(0.0480)	(2.0965)
Net realised and unrealised loss on investments, derivatives and foreign currency	(0.0726)	(9.0175)	(0.0723)	(6.5008)
Net decrease in net assets resulting from operations	(0.1075)	(12.4322)	(0.1203)	(8.5973)
Net asset value at end of year	1.1860	115.0569	1.2561	83.6128
Return[1]				
Total return	(8.31%)	(9.75%)	(8.74%)	(9.32%)
Ratios to average net assets[2]				
Net investment loss	(2.84%)	(2.85%)	(3.68%)	(2.41%)
Total expenses	(3.10%)	(3.13%)	(3.95%)	(2.69%)
Non-trade expenses[3]	(2.16%)	(2.18%)	(3.01%)	(1.74%)

[1] The financial highlights are calculated for a share class taken as a whole. An individual investor's return may differ from those shown above depending on the timing of capital transactions during the year.
[2] The ratio of expenses to average net assets is calculated using total operating expenses of USD 17,397,287.
[3] This ratio details the total expenses less trading costs (including interest costs, dividend costs and transaction and brokerage costs) incurred by the Company in the course of normal trading, to the average net assets described above.

13. Subsequent events

The Company evaluated the possibility of subsequent events existing in the financial statements through 16 November 2017, the date the financial statements were available to be issued. The Company has determined that there were no material events that would require disclosure in the Company's financial statements other than those listed below.

Since the year end up to 16 November 2017, there have been subscriptions and redemptions as follows:

	Subscriptions	Redemptions
Class A USD	79,287	6,536,735
Class B JPY	662,141,754	5,938,912,804
Class C AUD	10,000	Nil
Class E JPY	442,563,100	4,444,860,000

14. Contingent liabilities and commitments

There were no contingent liabilities or commitments as at 30 June 2017.

15. Indemnification

In the normal course of business, the Company enters into contracts that contain a variety of representations which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of loss to be remote.

16. Approval of the financial statements

The financial statements were approved and authorised for issue by the Directors on 16 November 2017.

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Report of Independent Auditors

The Board of Directors
Man AHL Diversified (Cayman) Ltd.

We have audited the accompanying financial statements of Man AHL Diversified (Cayman) Ltd. (the "Company"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, as of 30 June 2017, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Man AHL Diversified (Cayman) Ltd. at 30 June 2017, and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young Ltd.

16 November 2017